

## Message Text

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ACTION EUR-12

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R 161550Z JAN 76

FM AMEMBASSY VIENNA

TO USMISSION OECD PARIS

SECSTATE WASHDC 7570

C O N F I D E N T I A L VIENNA 0366

E.O. 11652: GDS

TAGS: EAID, EFIN, AU

SUBJECT: INCREASED USE OF ERP FUNDS BY AUSTRIA FOR DEVELOPMENT

REFS: A) OECD PARIS 31562, B) VIENNA A-013

1. AS DEPARTMENT AND PARIS OECD AWARE EMBASSY OVER PAST FEW YEARS HAS FREQUENTLY DISCUSSED SUBJECT WITH GOA OFFICIALS. OUR LEVERAGE IS OF COURSE SOMEWHAT LIMITED INsofar THAT WE NO LONGER HAVE ANY DIRECT CONTROL OVER GOA USE OF THESE FUNDS. NEVERTHE- LESS THE SUBJECT HAS FREQUENTLY BEEN RAISED IN CONVERSATIONS, PARTICULARLY WITH AID COORDINATOR ZUK AND STATE SECRETARY VESELSKY, TWO KEY OFFICIALS IN THIS AREA.

2. ZUK, WHO IS RESPONSIBLE FOR AUSTRIA'S AID OPERATIONS IN FEDERAL CHANCELLERY, IS BASICALLY FAVORABLY DISPOSED AND HAS FREQUENTLY TRIED TO OBTAIN A LARGER ALLOCATION OF ERP FUNDS FOR USE IN AUSTRIAN LDC DEVELOPMENT PROJECTS. HOWEVER, HIS EFFORTS HAVE USUALLY BEEN THWARTED BECAUSE OF HIGHER PRIORITY DOMESTIC DEMANDS ON THESE FUNDS. MOST DRAMATIC EXAMPLE OF FOREGOING WAS LAST YEAR'S GOA DECISION TO USE ERP FUNDS TO STIMULATE DOMESTIC INVESTMENT AS A COUNTER-CYCLICAL MEASURE AND TO FORESTALL A MAJOR DOWNTURN IN THE  
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ECONOMY. THIS WAS IN FACT A RATHER DELICATE

PERIOD FOR EMBASSY SINCE GOA ATTEMPTED TO DRAW  
USG INTO VARIOUS SCHEMES TO SUBSIDIZE DOMESTIC  
INTEREST RATES. ZUK HIMSELF WAS CAUGHT BETWEEN  
VARIOUS INTERNAL POLITICAL AND BUREAUCRATIC PRESSURES AND  
COULD DO NOTHING MORE BUT HOLD THE LINE ON THE  
PRESENT PROGRAM.

3. GIVEN THE CURRENT UNCERTAIN ECONOMIC SITUATION  
IN AUSTRIA AND CONTINUING INTERNAL BUDGETARY  
PROBLEMS WE SEE LITTLE IMMEDIATE PROSPECT THAT  
ERP DEVELOPMENT PERFORMANCE WILL IMPROVE. HOWEVER,  
IT IS A SUBJECT WHICH WE FREQUENTLY RAISE IN  
CONVERSATIONS WITH APPROPRIATE GOA OFFICIALS.  
VESELSKY RECENTLY TOLD US INFORMALLY THAT HE WAS  
TOYING WITH IDEA OF TYING EXPANDED USE OF ERP FUNDS  
FOR AID PURPOSES INTO AUSTRIAN PROPOSAL OF A NEW  
TYPE AID PROGRAM THAT WOULD HAVE THE DUAL PURPOSE  
OF ASSISTING RECIPIENT COUNTRY AS WELL AS STAGNANT  
EXPORT INDUSTRIES OF DONOR COUNTRY (SEE SECTION  
"DEVELOPMENT QUESTIONS" IN REF B). IN COMMENTING ON THESE  
IDEAS WE SEE A GOOD OPPORTUNITY TO KEEP UP PRESSURE ON  
AUSTRIANS TO IMPROVE THEIR AID PERFORMANCE.

4. SUBSEQUENT TO DRAFTING OF ABOVE PARAS, ECON/COM COUNS  
MENTIONEDSUBJECT TO VESELSKY JANUARY 15 OBSERVING  
THAT "AUSTRIA'S DAC REPORT CARD" WAS NOT A VERY GOOD ONE  
AND ASKED WHETHER VESELSKY PLANNED TO DO ANYTHING TO RECTIFY  
THIS SITUATION. COUNS ALSO WONDERED WHETHER THERE WAS ANY  
CHANCE THAT SITUATION RE ERP FUND REFLOWS FOR AID PURPOSES  
MIGHT IMPROVE IN 1976. VESELSKY REPLIED HE WAS NOT CERTAIN  
BUT THAT QUESTION WAS TIMELY SINCE THIS VERY SUBJECT WILL  
BE ON AGENDA OF MINISTERIAL ECONOMIC MEETING NEXT TUESDAY  
WHEN GOA WILL DELIBERATE KEY DOMESTIC ECONOMIC POLICY QUESTIONS  
UNDER CHANCELLOR KREISKY'S CHAIRMANSHIP.BUCHANAN

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